

Memorandum of Understanding

Between

EITI Albania - Extractive Industries Transparency Initiative

and

FIAA - Foreign Investors Association of Albania

This Memorandum of Understanding (MOU) sets for the terms and understanding between EITI Albania and FIAA to collaborate on behalf of EITI implementation in Albania.

Background

The EITI is a global initiative that requires participating governments to publicly report the revenues they receive from extractive industry companies and for those companies to publicly report the revenues they pay to government – allowing for any discrepancies to be disclosed. The initiative prides itself on being a tripartite partnership between government, the private sector and civil society (indeed, such a partnership is a prerequisite for a country to become 'EITI compliant').

Companies are at the core of the EITI process. Oil, gas and mining companies report their payments to government in implementing countries on an annual basis. They also help govern the EITI process both locally and internationally, promote outreach and can fulfil a variety of other key roles important for the success of the EITI. The role of companies starts with the consolidation and promotion of partnership with all key stakeholders leading to the promotion of a more transparent business environment that improves governances, reduces corruption and helps to create a culture of transparency and accountability in conformity with international based practices.

Well-managed companies want to invest in countries governed by transparency and fair rules. They want to be part of public discussion and to engage with their stakeholders and external audiences, including local communities and governments. This is why major publicly listed international oil, gas and mining companies support the EITI. It is also why almost 90 institutional investors managing assets of over US \$19 trillion support the EITI.

Purpose

This MOU will aim to regulate the relationship Government – Companies with regard to the EITI processes and standard requirements.

The above goals will be accomplished by undertaking the following activities:

1. Being the only formal industry body representing the Investors in the extractive operations and natural resource exploitation in Albania, FIAA will undertake the process of election of MSG representatives from the companies' constituency, thus guaranteeing transparent and independent representation.

2. EITI Albania and FIIA will join forces on awareness raising and capacity building activities between the extractive operators, communities.
3. EITI Albania and FIIA will actively seek to work together on donor funded projects that promote good governance of natural resources, and good investment climate.

Funding

This MOU is not a commitment of funds.

Duration

This MOU is at-will and may be modified by mutual consent of authorized officials from EITI Albania and FIIA. This MOU shall become effective upon signature by the authorized officials from EITI Albania and FIIA and will remain in effect until modified or terminated by any one of the partners by mutual consent. In the absence of mutual agreement by the authorized officials from EITI Albania and FIIA this MOU shall end on 31.12.2020.

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(Partner signature)

Date: 10.10.2016

(Marinela JAZOJ, Foreign Investors Association of Albania, Executive Director)

(Partner signature)

Date: 10.10.2016

(Partner name, organization, position)

EITI Albania Director

Annex 1

What is the role of the national MSG?

The MSG is the tripartite decision-making body, comprising representatives of government, extractive companies and civil society organizations at the core of EITI implementation. In addition to oversight of EITI implementation and management functions, a key role of each MSG is to define the scope of the national EITI process and determine which sectors and

Core functions of the MSG:

- Overall strategic decision-making
- Define the scope of the EITI process
- Identify, assess and remove barriers to implementation
- Prepare the work plan and monitor implementation
- Select and oversee the work of the Independent Administrator
- Contribute to and approve reporting templates
- Communicate about the EITI and engage stakeholders
- Ensure that EITI Reports are comprehensible and publicly accessible so as to contribute to open, public debate
- Appoint the validators and approve Validation reports
- Take steps to act on lessons learnt, address discrepancies and ensure the sustainability of the EITI process

How are members selected?

Each of the three stakeholder groups has the right to appoint its representatives and there should be adequate representation from all groups. Civil society members should be independent of government and/or companies. Pluralism and diversity should guide the selection of each group's MSG members. Nominees must ensure they have the capacity for the role and commit to competently fulfilling their membership responsibilities.

How can the EITI benefit companies?

EITI implementation benefits companies both in the countries where they operate and internationally.

Local benefits for companies

Once a company has decided to make an investment, one of its main focuses will be on building a long-term, sustainable business in that country. The EITI can be an important contributor by creating:

- Stronger social license to operate, better relations with communities and government.

The EITI provides companies with a proven, neutral platform for building understanding about the many different ways in which a company's business contributes to the communities in which it works, as well as to government revenues.

- Tool to understand and mitigate political risks and public discontent, in order to safeguard assets and pave the way for further investments.

Political instability and opaque governance increase investment risk for companies. Openness around the extractive industry and its value creation importance for the economy will lead to more predictable social and political development.

- A catalyst for developing local capacity and infrastructure.

As companies need access to competent staff, they benefit from well-educated local staff and competitive services. A local supplier industry and well-functioning infrastructure and public services will facilitate smooth running of the business and reduce the need for expensive expatriate staff and imported goods and services.

- Level playing field

Most international companies would like to see the same reporting requirements for all companies. When a country implements the EITI, all companies are required to be equally transparent about their payments to the government.

- Opportunity to directly affect disclosure requirements and challenge corrupt practices

The EITI gives companies an opportunity to shape the detailed reporting requirements in the various implementing countries. Companies serving on the international Board and its committees help shape the global EITI Requirements.

- A forum for addressing sector issues

With government and civil society both at the table, the EITI provides the forum for discussing key sector issues such as governance and effective spending of revenues.

International benefits for companies

- Credibility and reputational assurance

As the global standard for transparency and accountability in the extractive industries, the EITI conveys credibility and reputational assurance to companies seeking to operate according to international standards. With calls for greater transparency on the rise, active participation in the EITI is one way for companies to demonstrate their commitment to transparency and accountability.

- Respect as an industry leader

Shareholders, investors, employees, competitors, civil society groups, the media and other external stakeholders view companies' disclosure of payments in EITI implementing countries as active support to the EITI, as an example of principled leadership.

- Delivering on commitments to sound business practices

The EITI contributes to companies' own codes of ethics, corporate responsibility policies and other commitments that require them to operate transparently or ensure that their operations are free from corruption.

- Improved access to finance

Regular EITI Reports on payments and revenues can improve the creditworthiness of both companies and countries. When a country's sovereign credit ratings and governance indicators improve, it eases access to finance, can attract investors and strengthens the image of companies operating there.